

BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

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OFFICE OF THE SECRETARY

In the Matter of

1998 Biennial Regulatory Review --  
Review of Depreciation Requirements  
for Incumbent Local Exchange Carriers

CC Docket No. 98-137

Ameritech Corporation Telephone Operating  
Companies' Continuing Property Records  
Audit, *et. al.*

CC Docket No. 99-<sup>117</sup>~~177~~

GTE Telephone Operating Companies  
Release of Information Obtained During  
Joint Audit

AAD File No. 98-26

REPLY COMMENTS  
of the  
GENERAL SERVICES ADMINISTRATION

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April 28, 2000

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## **SUMMARY**

In these Reply Comments, GSA responds to the positions of the many parties that filed comments in this proceeding.

The users of ILEC services all urge the Commission to reject the ILECs' ill-conceived depreciation waiver proposal. As GSA notes, the ILEC proposal is contrary to Commission precedent and inappropriate for carriers having depreciation reserve surpluses. The ILEC proposal would deprive the Commission of information necessary to establish depreciation parameter ranges, and result in excessive interstate, intrastate and interconnection prices. On the other hand, rejection of the ILEC's proposal would do no harm to ratepayers or the ILECs.

GSA also agrees with other commenting parties that the Commission should not terminate its CPR audit proceeding regardless of the outcome of the instant proceeding.

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CC Docket No. 98-137

Ameritech Corporation Telephone Operating  
Companies' Continuing Property Records  
Audit, *et. al.*

CC Docket No. 99-177

GTE Telephone Operating Companies  
Release of Information Obtained During  
Joint Audit

AAD File No. 98-26

**REPLY COMMENTS  
of the  
GENERAL SERVICES ADMINISTRATION**

The General Services Administration ("GSA") submits these Reply Comments on behalf of the customer interests of all Federal Executive Agencies ("FEAs") in response to the Commission's Further Notice of Proposed Rulemaking ("Notice") released on April 3, 2000. In the Notice, the Commission seeks comments and replies on the conditions under which its existing depreciation rules may be eliminated or changed for all price cap carriers.

**I. INTRODUCTION**

In Comments filed on April 17, 2000, GSA opposed the alternate depreciation waiver procedures proposed by the incumbent local exchange carrier (ILEC) members of

the Coalition for Affordable Local and Long Distance Service ("CALLS"). GSA noted that an above-the-line amortization of the difference between the depreciation reserves shown on the financial and regulatory books of the ILECs would serve to hide their inappropriately high earnings.<sup>1</sup> GSA also noted that the CALLS proposal would significantly limit the information available to the Commission for use in establishing projection life and future net salvage percent ranges.<sup>2</sup> Finally, GSA explained that the Commission should continue its Continuing Property Record ("CPR") audit proceeding regardless of the outcome of this proceeding.<sup>3</sup>

Comments were also filed in this proceeding by the following parties:

- the United States Telecom Association ("USTA") and five individual ILECs;
- the Association for Local Telecommunications Services ("ALTS") and two interexchange carriers ("IXCs");
- the National Association of Regulatory Commissioners ("NARUC") and the Indiana Utility Regulatory Commission ("IURC");
- the National Rural Telecom Association ("NRTA") and the Association for the Promotion and Advancement of Small Telecommunications Companies ("OPASTCO");
- the National Exchange Carrier Association ("NECA");
- the Ad Hoc Telecommunications Users Committee ("Ad Hoc"); and
- the International Communications Association ("ICA") and the Consumer Federation of America ("CFA").

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<sup>1</sup> Comments of GSA, pp. 4-7.

<sup>2</sup> Id., pp. 7-9.

<sup>3</sup> Id., pp. 9-11.

In these Reply Comments, GSA responds to the comments of these parties.

## **II. THE COMMISSION SHOULD REJECT THE PROPOSAL OF THE ILECs**

### **A. Commission Precedent Supports Rejection**

The ILECs erroneously contend that past Commission action supports above-the-line treatment of the difference between their financial and regulatory book depreciation reserves.<sup>4</sup> Nothing could be further from the truth.

On February 15, 1989, AT&T filed a new schedule of depreciation rates designed to amortize the difference between the depreciation reserves shown in its financial and regulatory books over a five year period.<sup>5</sup> The ILEC proposal is essentially identical to AT&T's 1989 proposal.

The Commission flatly rejected AT&T's proposal.<sup>6</sup> The Commission stated:

We conclude that AT&T has not made a sufficient showing that this Commission should base AT&T's book rates on the depreciation rates that it uses for financial reporting purposes. Initially, we observe that the present depreciation procedures have worked well for AT&T, in terms of ensuring more rapid capital recovery. Our recent depreciation orders have

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<sup>4</sup> Comments of Bell Atlantic, pp. 2-3; BellSouth, pp. 6-8; SBC, pp. 6-7; GTE, pp. 7-9.

<sup>5</sup> Filing Letter of Paula L. Gavin, Vice President, Business, Financial and Human Resources, to Ms. Donna Searcy, Secretary, Federal Communications Commission, dated February 15, 1989.

<sup>6</sup> The Modification of the Commission's Depreciation Prescription Practices as Applied to AT&T and the Prescription of Revised AT&T Depreciation Rates, AAD 9-1935, Memorandum Opinion and Order, released December 13, 1989.

allowed AT&T to increase substantially its depreciation reserve, from 24.8% of plant as of January 1, 1984 to 39.1% as of January 1, 1989. AT&T does not state in its petition in what specific manner this Commission has been remiss in our depreciation rate prescriptions of recent years. Rather it relies upon the fact that in 1988 it took a \$6 billion writedown of its asset value for financial reporting purposes. This event may indicate that a new look at AT&T's depreciation situation is warranted, notwithstanding our recent depreciation represcriptions, and we are accordingly initiating herein an inquiry into AT&T's need for revised depreciation rates. However, that assessment can be accomplished using current procedures rather than depreciation rate methodologies that go well beyond those that we have traditionally employed. We have taken a series of initiatives during the past decade to ensure that carriers are able to adjust their depreciation rates promptly to recover capital investment costs as quickly as possible under the federal regulatory scheme. We do not see a need now to abandon one of those initiatives to address what appears to be a temporary problem that can be resolved with measures less drastic than those suggested by AT&T. Accordingly, we do not grant this aspect of AT&T's request.<sup>7</sup>

There is no reason for the Commission to reverse this clearly applicable precedent. In 1989, AT&T's depreciation reserve on its regulatory books was less than 40 percent, and its market share was under 70 percent.<sup>8</sup> ILEC depreciation reserves are

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<sup>7</sup> *Id.*, para. 23 (footnote deleted).

<sup>8</sup> Industry Analysis Division, Long Distance Market Shares, March 1999, Table 3.2.

currently over 50 percent and their market share is over 90 percent.<sup>9</sup> Adoption of the ILECs' proposal clearly would be arbitrary and capricious.

**B. The ILEC Do Not Have A Depreciation Reserve Deficiency**

In the past, the Commission has approved above-the-line depreciation reserve deficiency amortizations for both AT&T and the ILECs.<sup>10</sup> The ILECs now claim that their proposal is designed to rectify supposed depreciation reserve deficiencies.<sup>11</sup>

But the ILECs do not have a depreciation reserve deficiency. In fact, they have a multi-billion dollar depreciation reserve surplus. Attachment 1 to these Reply Comments compares the regulatory book reserves of the Regional Bell Operating Companies ("RBOCs") and GTE to their theoretically required reserves as of January 1, 1999. With few exceptions, this data shows book reserves exceeding required reserves. The RBOC surplus is \$5.5 billion and GTE's surplus is \$2.2 billion. In other words, the large ILECs have recovered more capital than necessary from ratepayers to date. There is absolutely no reason to increase this surplus further through above-the-line amortizations.

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<sup>9</sup> Industry Analysis Division, Trends in Telephone Service, March 2000, Table 9.1.

<sup>10</sup> See, e.g., The Prescription of Revised Depreciation Rates for: AT&T Communications of California, Inc. et al., Order, FCC 85-568, released October 23, 1985; Amortization of Depreciation Reserve Imbalances of Local Exchange Carriers, CC Docket No. 87-447, Report and Order, released January 21, 1988.

<sup>11</sup> Comments of Bell Atlantic, pp. 2-3; BellSouth pp. 10-11 SBC, pp. 6-7; GTE, pp. 7-9.



**C. The ILEC Proposal Would Deprive The Commission Of Information Necessary To Establish Depreciation Parameter Ranges**

In its Comments, GSA noted that the ILEC proposal would severely limit the information available for the establishment of forward-looking depreciation parameter ranges.<sup>12</sup> GSA explained that these ranges are relied upon by the Commission and state commissions for determining the appropriate depreciation factors to use in establishing high cost support, interconnection and unbundled network element ("UNE") prices.<sup>13</sup>

ILECs dismiss these concerns and contend that reporting should be reduced.<sup>14</sup> The comments of Ad Hoc, IURC and NARUC, however, support GSA's contention that an adequate flow of depreciation information to the Commission is absolutely essential.<sup>15</sup> NARUC, for example, states:

The FCC should determine for themselves if changes in depreciation factors are warranted. This can only be done if the relevant information and data is available. Therefore, we strongly urge the Commission to reaffirm its position in the Depreciation Order and require carriers to submit information such as forecast additions and retirements for major network accounts; replacement plans for digital central offices; and information concerning relative investment in fiber and copper cable. This information should be readily available from carriers' records whether plant and equipment is depreciated over its service life under

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<sup>12</sup> Comments of GSA, pp. 7-9.

<sup>13</sup> Id.

<sup>14</sup> Comments of Bell Atlantic, p. 5; BellSouth, p. 12; SBC, p. 9; GTE, pp. 9-10.

<sup>15</sup> Comments of Ad Hoc, p. 8; IURC, p. 4; NARUC, pp. 9-10.

In short, interstate ratepayers see the ILEC proposal as a way for the ILECs to maintain inappropriately high interstate rates.

**E. The ILEC Proposal Would Result In Excessive Intrastate Rates**

The ILECs contend that their proposal will have no effect on intrastate rates.<sup>22</sup> Other commenting parties disagree.<sup>23</sup>

While the ILEC proposal has no direct effect on intrastate rates, its indirect effect could be substantial. The ILECs would portray the Commission's adoption of an above-the-line amortization as recognition of a \$28 billion reserve deficiency. Three-quarters of this "deficiency" is jurisdictionally intrastate, and the ILECs would waste no time in seeking above-the-line treatment in every state. The respect accorded the Commission by state commissions should not be under-estimated. Commission adoption of the ILEC proposal could trigger a level of intrastate rate increases unequalled in the history of the industry.

**F. The ILEC Proposal Would Result In Excessive Interconnection Rates**

The ILECs contend that the depreciation parameters underlying their financial books should be used in setting the prices for UNEs.<sup>24</sup>

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<sup>22</sup> Comments of Bell Atlantic, pp. 3-4; BellSouth, p. 4; SBC, pp. 10-12; GTE, pp. 3-4.

<sup>23</sup> Comments of Ad Hoc, p. 7; AT&T, pp. 4-7; MCI, pp. 29-30; NARUC, pp. 7-9; ALTS, pp. 3-6.

<sup>24</sup> Comments of Bell Atlantic, p. 4; BellSouth, p. 10; SBC, pp. 12-13; GTE, pp. 11-14.

financial or regulatory accounting principles and therefore should not be burdensome.<sup>16</sup>

#### **D. The ILEC Proposal Would Result In Excessive Interstate Rates**

The ILECs contend that their proposal would not adversely affect interstate ratepayers.<sup>17</sup> However, interstate ratepayers disagree.<sup>18</sup>

In its Comments, GSA noted that the reduction in earnings which would result from the ILEC proposal would serve to hide their inappropriately high earnings, and thus influence Commission price cap decisions. ICA/CFA agrees and states "the only possible reason for allowing such a confusing and complex accounting contortion to occur would be to allow the CALLS ILECs to grossly hide their real earnings by distorting their reported interstate earnings!"<sup>19</sup>

MCI and Ad Hoc further note that the use of higher depreciation rates could trigger low-end adjustments or support a claim for above-cap filings.<sup>20</sup> Commenters also express concern that the ILECs' proposal could adversely affect the Commission's high-cost support program to promote universal service.<sup>21</sup>

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<sup>16</sup> Comments of NARUC, p. 9.

<sup>17</sup> Comments of Bell Atlantic, p. 3; BellSouth, p. 7; SBC, p. 10; GTE, p. 4.

<sup>18</sup> Comments of ICA/CFA, pp. 3-6; Ad Hoc, pp. 6-8; AT&T Corp. ("AT&T"), pp. 4-7; MCI WorldCom ("MCI"), pp. 9-14.

<sup>19</sup> Comments of ICA/CFA, p. 4. See, also, Comments of IURC, p. 5; AT&T, pp. 5-6.

<sup>20</sup> Comments of MCI, p. 17; Ad Hoc, p. 7.

<sup>21</sup> Id.

As the Commission has noted, most state commissions have rejected such parameters in UNE cases, and instead used parameters consistent with the Commission's prescriptions and authorized ranges.<sup>25</sup> Adoption of the ILEC proposal by the Commission could lead to much higher UNE rates with a consequent chilling of competition in the local exchange marketplace. This would be directly contrary to the Commission's expressed goal of promoting local exchange competition.

**G. Rejection Of The ILEC Proposal Will Do No Harm**

The ILECs go to great lengths to emphasize that their proposal for above-the-line amortizations will have no effect on ratepayers.<sup>26</sup> GSA disagrees, but suppose the ILECs are correct. If they are, then rejection of their proposal will also have no effect on ratepayers, or by extension, the ILECs.

If the only reason for the ILEC proposal is to simplify their bookkeeping, the ILECs can simply implement the Commission's existing waiver procedure and take a one-time below-the-line writedown.

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<sup>25</sup> 1998 Biennial Regulatory Review – Review of Depreciation Requirements for Incumbent Local Exchange Carriers, CC Docket 98-137, Report and Order, FCC 99-397, released December 30, 1999, para. 33.

<sup>26</sup> Comments of Bell Atlantic, pp. 3-4; BellSouth, pp. 5-10; SBC, pp. 10-12; GTE, pp. 4-5.

### **III. THE COMMISSION SHOULD NOT TERMINATE ITS CPR AUDIT PROCEEDING**

As GSA explained in its Comments, the Commission should continue with its CPR audit proceeding regardless of the outcome of this proceeding.<sup>27</sup>

Predictably, the ILECs all call for a termination of the CPR audit proceeding.<sup>28</sup> Other commenting parties agree with GSA that no action in the instant proceeding would moot the issues in the CPR audit proceeding.<sup>29</sup> MCI states:

A change in the level of the RBOCs' reserve levels is irrelevant to the question of whether the RBOCs' plant balances were inflated, and continue to be inflated, by the RBOCs' deficient CPR practices, and is irrelevant to the question of whether the RBOCs have violated, and continue to violate, the Commission's CPR rules.<sup>30</sup>

Ad Hoc notes:

While the option of sweeping the audit findings under an amortization rug has obvious appeal, both for the carriers embarrassed by the finding and those anxious for the agency to appear de-regulatory, the Commission cannot reach an *ipse dixit* conclusion that the audits

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<sup>27</sup> Comments of GSA, pp. 9-11.

<sup>28</sup> Comments of Bell Atlantic, pp. 5-8; BellSouth, pp. 12-14; SBC, pp. 16-17; GTE, pp. 14-15.

<sup>29</sup> Comments of ICA/CFA, pp. 5-6; IURC, pp. 5-6; Ad Hoc, pp. 10-12; AT&T, pp. 7-8; MCI, pp. 30-32; NARUC, pp. 10-12.

<sup>30</sup> Comments of MCI, pp. 30-31.

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are moot when nothing in the ILECs' depreciation proposal undoes or corrects the practices and property records underlying the audit conclusions.<sup>31</sup>

The Commission should continue with its CPR audit proceeding regardless of the outcome of this proceeding.

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<sup>31</sup> Comments of Ad Hoc, p. 12.

#### IV. CONCLUSION

As a major user of telecommunications services, GSA urges the Commission to implement the recommendations set forth in these Comments.

Respectfully submitted,

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# Summary of Reserves On FCC Basis

(Dollars in Thousands)

<u>Company</u>	<u>State</u>	<u>1/1/99 Investment</u> a	<u>Book Reserve</u> b	<u>Percent</u> c = b / a	<u>Theoretical Reserve</u> d	<u>Percent</u> e = d / a	<u>Surplus</u> f = b - d	<u>Percent</u> g = f / a
Ameritech	Illinois	9,816,408	4,849,080	49.4%	4,459,709	45.4%	389,371	4.0%
	Indiana	3,386,192	1,833,945	54.2%	1,673,365	49.4%	160,580	4.7%
	Michigan	8,595,929	4,792,937	55.8%	4,489,108	52.2%	303,828	3.5%
	Ohio	6,510,577	3,417,494	52.5%	3,215,099	49.4%	202,395	3.1%
	Wisconsin	<u>2,941,434</u>	<u>1,448,457</u>	<u>49.2%</u>	<u>1,363,284</u>	<u>46.3%</u>	<u>85,173</u>	<u>2.9%</u>
	<b>Total</b>	<b>31,250,540</b>	<b>16,341,912</b>	<b>52.3%</b>	<b>15,200,565</b>	<b>48.6%</b>	<b>1,141,348</b>	<b>3.7%</b>
Bell Atlantic	Delaware	870,610	406,647	46.7%	397,967	45.7%	8,680	1.0%
	Maine	1,460,303	819,264	56.1%	757,094	51.8%	62,171	4.3%
	Maryland	6,016,041	2,958,068	49.2%	2,861,159	47.6%	96,908	1.6%
	Massachusetts	8,634,368	4,428,769	51.3%	4,260,538	49.3%	168,231	1.9%
	New Hampshire	1,659,000	899,930	54.2%	842,885	50.8%	57,045	3.4%
	New Jersey	9,956,169	4,948,791	49.7%	4,766,387	47.9%	182,405	1.8%
	New York	21,133,337	10,856,846	51.4%	11,327,504	53.6%	-470,658	-2.2%
	Pennsylvania	10,142,878	5,061,929	49.9%	4,977,656	49.1%	84,272	0.8%
	Rhode Island	1,009,179	552,421	54.7%	550,404	54.5%	2,017	0.2%
	Vermont	835,596	485,006	58.0%	460,072	55.1%	24,934	3.0%
	Virginia	6,214,375	2,947,787	47.4%	2,699,731	43.4%	248,056	4.0%
	Washington, DC	1,719,125	761,739	44.3%	787,875	45.8%	-26,136	-1.5%
	West Virginia	<u>1,811,363</u>	<u>1,004,389</u>	<u>55.4%</u>	<u>949,370</u>	<u>52.4%</u>	<u>55,019</u>	<u>3.0%</u>
	<b>Total</b>	<b>71,462,345</b>	<b>36,131,586</b>	<b>50.6%</b>	<b>35,638,641</b>	<b>49.9%</b>	<b>492,944</b>	<b>0.7%</b>
BellSouth	Alabama	4,625,552	2,485,851	53.7%	2,212,815	47.8%	273,036	5.9%
	Florida	11,742,280	6,432,472	54.8%	5,818,640	49.6%	613,832	5.2%
	Georgia	8,959,750	4,636,161	51.7%	4,219,699	47.1%	416,462	4.6%
	Kentucky	2,555,317	1,356,197	53.1%	1,186,225	46.4%	169,972	6.7%
	Louisiana	4,654,122	2,787,650	59.9%	2,433,857	52.3%	353,793	7.6%
	Mississippi	3,051,100	1,734,491	56.8%	1,517,827	49.7%	216,665	7.1%
	North Carolina	5,059,583	2,613,145	51.6%	2,422,643	47.9%	190,502	3.8%
	South Carolina	3,063,929	1,654,156	54.0%	1,554,295	50.7%	99,861	3.3%
	Tennessee	<u>5,085,398</u>	<u>2,546,762</u>	<u>50.1%</u>	<u>2,340,947</u>	<u>46.0%</u>	<u>205,815</u>	<u>4.0%</u>
	<b>Total</b>	<b>48,797,032</b>	<b>26,246,886</b>	<b>53.8%</b>	<b>23,706,947</b>	<b>48.6%</b>	<b>2,539,938</b>	<b>5.2%</b>



# Summary of Reserves On FCC Basis

(Dollars in Thousands)

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SBC	Arkansas	2,041,133	1,025,815	50.3%	1,001,847	49.1%	23,968	1.2%
	California	28,015,164	13,965,032	49.8%	13,173,054	47.0%	791,977	2.8%
	Kansas	2,406,396	1,191,198	49.5%	1,193,513	49.6%	-2,316	-0.1%
	Missouri	5,262,220	2,409,597	45.8%	2,559,761	48.6%	-150,164	-2.9%
	Nevada	598,989	291,250	48.6%	253,599	42.3%	37,651	6.3%
	Oklahoma	3,009,429	1,620,565	53.8%	1,570,319	52.2%	50,246	1.7%
	Texas	<u>18,928,142</u>	<u>9,282,855</u>	<u>49.0%</u>	<u>9,232,707</u>	<u>48.8%</u>	<u>50,148</u>	<u>0.3%</u>
	<b>Total</b>	<b>60,261,474</b>	<b>29,786,311</b>	<b>49.4%</b>	<b>28,984,802</b>	<b>48.1%</b>	<b>801,509</b>	<b>1.3%</b>
US West	Arizona	4,618,240	2,328,645	50.4%	2,250,599	48.7%	78,046	1.7%
	Colorado	6,021,274	2,833,167	47.1%	2,759,353	45.8%	73,814	1.2%
	Idaho	949,524	496,823	52.3%	467,271	49.2%	29,552	3.1%
	Iowa	1,894,681	1,122,842	59.3%	1,051,771	55.5%	71,071	3.8%
	Minnesota	3,848,433	2,044,445	53.1%	1,901,550	49.4%	142,894	3.7%
	Montana	764,426	378,169	49.5%	381,892	50.0%	-3,723	-0.5%
	Nebraska	1,374,770	775,967	56.4%	724,599	52.7%	51,368	3.7%
	New Mexico	1,758,464	903,678	51.4%	938,750	53.4%	-35,073	-2.0%
	North Dakota	480,843	291,587	60.6%	258,372	53.7%	33,215	6.9%
	Oregon	2,480,288	1,191,743	48.0%	1,189,989	48.0%	1,755	0.1%
	South Dakota	592,298	352,837	59.6%	313,910	53.0%	38,927	6.6%
	Utah	2,198,746	1,000,745	45.5%	1,024,549	46.6%	-23,804	-1.1%
	Washington	4,749,154	2,508,308	52.8%	2,458,756	51.8%	49,553	1.0%
	Wyoming	<u>729,213</u>	<u>386,734</u>	<u>53.0%</u>	<u>379,930</u>	<u>52.1%</u>	<u>6,804</u>	<u>0.9%</u>
	<b>Total</b>	<b>32,460,356</b>	<b>16,615,689</b>	<b>51.2%</b>	<b>16,101,290</b>	<b>49.6%</b>	<b>514,399</b>	<b>1.6%</b>
<b>RBOCs</b>	<b>Total</b>	<b>244,231,747</b>	<b>125,122,384</b>	<b>51.2%</b>	<b>119,632,245</b>	<b>49.0%</b>	<b>5,490,139</b>	<b>2.2%</b>

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(Dollars in Thousands)

<u>Company</u>	<u>State</u>	<u>1/1/99 Investment a</u>	<u>Book Reserve b</u>	<u>Percent c = b / a</u>	<u>Theoretical Reserve d</u>	<u>Percent e = d / a</u>	<u>Surplus f = b - d</u>	<u>Percent g = f / a</u>
GTE - North	Illinois	1,822,451	934,929	51.3%	796,430	43.7%	138,499	7.6%
	Indiana	2,042,487	1,021,959	50.0%	807,074	39.5%	214,886	10.5%
	Michigan	1,577,753	771,801	48.9%	663,266	42.0%	108,535	6.9%
	Ohio	1,723,555	865,780	50.2%	721,395	41.9%	144,384	8.4%
	Pennsylvania	1,244,551	634,340	51.0%	503,041	40.4%	131,299	10.5%
	Wisconsin	<u>1,154,504</u>	<u>618,308</u>	<u>53.6%</u>	<u>495,633</u>	<u>42.9%</u>	<u>122,675</u>	<u>10.6%</u>
	<b>Total</b>	<b>9,565,301</b>	<b>4,847,117</b>	<b>50.7%</b>	<b>3,986,840</b>	<b>41.7%</b>	<b>860,277</b>	<b>9.0%</b>
GTE - Florida	Florida	<u>4,479,322</u>	<u>2,075,650</u>	<u>46.3%</u>	<u>1,811,379</u>	<u>40.4%</u>	<u>264,271</u>	<u>5.9%</u>
	<b>Total</b>	<b>4,479,322</b>	<b>2,075,650</b>	<b>46.3%</b>	<b>1,811,379</b>	<b>40.4%</b>	<b>264,271</b>	<b>5.9%</b>
GTE - South	Alabama	643,081	320,123	49.8%	286,233	44.5%	33,890	5.3%
	Kentucky	1,298,158	649,840	50.1%	541,793	41.7%	108,048	8.3%
	North Carolina	903,622	436,305	48.3%	398,217	44.1%	38,088	4.2%
	South Carolina	<u>446,149</u>	<u>232,818</u>	<u>52.2%</u>	<u>208,193</u>	<u>46.7%</u>	<u>24,625</u>	<u>5.5%</u>
	<b>Total</b>	<b>3,291,010</b>	<b>1,639,086</b>	<b>49.8%</b>	<b>1,434,436</b>	<b>43.6%</b>	<b>204,650</b>	<b>6.2%</b>
GTE - Midwest	Iowa	630,116	288,716	45.8%	238,799	37.9%	49,917	7.9%
	Missouri	1,233,434	511,158	41.4%	456,045	37.0%	55,113	4.5%
	Nebraska	<u>119,825</u>	<u>58,067</u>	<u>48.5%</u>	<u>46,777</u>	<u>39.0%</u>	<u>11,289</u>	<u>9.4%</u>
	<b>Total</b>	<b>1,983,375</b>	<b>857,941</b>	<b>43.3%</b>	<b>741,621</b>	<b>37.4%</b>	<b>116,320</b>	<b>5.9%</b>
GTE - Southwest	Arkansas	250,744	118,963	47.4%	111,641	44.5%	7,322	2.9%
	New Mexico	225,007	137,033	60.9%	116,781	51.9%	20,252	9.0%
	Oklahoma	284,229	131,727	46.3%	126,734	44.6%	4,993	1.8%
	Texas	<u>4,799,070</u>	<u>2,325,473</u>	<u>48.5%</u>	<u>2,123,609</u>	<u>44.3%</u>	<u>201,863</u>	<u>4.2%</u>
	<b>Total</b>	<b>5,559,051</b>	<b>2,713,196</b>	<b>48.8%</b>	<b>2,478,765</b>	<b>44.6%</b>	<b>234,430</b>	<b>4.2%</b>

# Summary of Reserves On FCC Basis

(Dollars in Thousands)

<u>Company</u>	<u>State</u>	<u>1/1/99 Investment</u> a	<u>Book Reserve</u> b	<u>Percent</u> c = b / a	<u>Theoretical Reserve</u> d	<u>Percent</u> e = d / a	<u>Surplus</u> f = b - d	<u>Percent</u> g = f / a
GTE - Northwest	Idaho	368,889	161,432	43.8%	123,220	33.4%	38,212	10.4%
	Oregon	941,737	409,902	43.5%	320,805	34.1%	89,097	9.5%
	Washington	<u>2,090,308</u>	<u>895,658</u>	<u>42.8%</u>	<u>712,358</u>	<u>34.1%</u>	<u>183,300</u>	<u>8.8%</u>
	<b>Total</b>	<b>3,400,934</b>	<b>1,466,993</b>	<b>43.1%</b>	<b>1,156,383</b>	<b>34.0%</b>	<b>310,609</b>	<b>9.1%</b>
GTE - Hawaii	Hawaii	<u>1,794,864</u>	<u>768,160</u>	<u>42.8%</u>	<u>682,718</u>	<u>38.0%</u>	<u>85,442</u>	<u>4.8%</u>
	<b>Total</b>	<b>1,794,864</b>	<b>768,160</b>	<b>42.8%</b>	<b>682,718</b>	<b>38.0%</b>	<b>85,442</b>	<b>4.8%</b>
Contel of CA	California	<u>926,360</u>	<u>500,350</u>	<u>54.0%</u>	<u>440,959</u>	<u>47.6%</u>	<u>59,391</u>	<u>6.4%</u>
	<b>Total</b>	<b>926,360</b>	<b>500,350</b>	<b>54.0%</b>	<b>440,959</b>	<b>47.6%</b>	<b>59,391</b>	<b>6.4%</b>
GTE/Contel of VA	Virginia	<u>1,190,471</u>	<u>533,306</u>	<u>44.8%</u>	<u>493,680</u>	<u>41.5%</u>	<u>39,626</u>	<u>3.3%</u>
	<b>Total</b>	<b>1,190,471</b>	<b>533,306</b>	<b>44.8%</b>	<b>493,680</b>	<b>41.5%</b>	<b>39,626</b>	<b>3.3%</b>
<b>GTE</b>	<b>Total</b>	<b>32,190,688</b>	<b>15,401,799</b>	<b>47.8%</b>	<b>13,226,782</b>	<b>41.1%</b>	<b>2,175,017</b>	<b>6.8%</b>
<b>All Large LECs</b>	<b>Total</b>	<b>276,422,435</b>	<b>140,524,183</b>	<b>50.8%</b>	<b>132,859,027</b>	<b>48.1%</b>	<b>7,665,156</b>	<b>2.8%</b>

Source: Carrier submissions pursuant to Section C-1 of Depreciation Study Guide

## CERTIFICATE OF SERVICE

I, MICHAEL J. ETTNER, do hereby certify that copies of the foregoing "Reply Comments of the General Services Administration" were served this 28th day of April, 2000, by hand delivery or postage paid to the following parties.

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